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# Economic and Social Council

Provisional

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## Special high-level meeting of the Economic and Social Council with the Bretton Woods Institutions, the World Trade Organization and the United Nations Conference on Trade and Development

**Provisional summary record of the 5th meeting**
Held at Headquarters, New York, on Monday, 18 April 2005, at 9.30 a.m.

*President*: Mr. Akram ..... (Pakistan)

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*The meeting was called to order at 9.40 a.m.*

**Special high-level meeting of the Economic and Social Council with the Bretton Woods Institutions, the World Trade Organization and the United Nations Conference on Trade and Development**

*Statement by the President*

1. **The President** said that 2005 was a year of great potential and promise for the advancement of the global development agenda. The preparatory process for the review of implementation of international development goals, including the Millennium Development Goals, at the September Summit was under way. Discussion on the recommendations in the report of the High-level Panel on Threats, Challenges and Change and in that of the Millennium Project had acknowledged the nexus between security and development. Those reports presented a practical plan to achieve the Goals, and provided hope that eliminating hunger and poverty was achievable. The report of the Secretary-General "In larger freedom: towards development, security and human rights for all" was another important input to the preparations for the Summit.

2. In order to stimulate discussion, a matrix of development recommendations contained in the Secretary-General's report, the Millennium Project report and the Global Monitoring Report 2005 was being circulated. The outcome of the meeting should make a useful contribution to the preparations for the September Summit.

*Statement by the Secretary-General*

3. **The Secretary-General** said that, thanks to the major United Nations conferences of the 1990s, there was a shared vision of the issues of aid, debt, trade and development. In the three years since the Monterrey Conference on Financing for Development, the approach to those issues had coalesced around the Millennium Development Goals.

4. The coming months offered a unique opportunity to make real changes in the international system that could make the world freer, fairer and safer for all its inhabitants. The series of international meetings on development financing that would take place should be seen in the broader context of the agenda for the United Nations Summit in September, which would bring together a whole range of vital commitments.

5. Those commitments must come from both developing and developed countries. All developing countries must commit themselves to sound, transparent and accountable national strategies for mobilizing all their resources in the fight against poverty. All donor countries must commit themselves to timetables for reaching the target of 0.7 per cent of GDP for official development assistance, with front-loading through an international finance facility or other mechanism and an active search for new sources of finance and new ways to ensure that the developing countries' debt burden was genuinely sustainable. A commitment to complete the Doha Round, with its promised focus on development and market access for all exports from least developed countries, was also needed, along with specific commitments to address the special needs of Africa and to explore ways of mitigating the effects of climate change.

6. The world would not enjoy development without security, nor security without development, and neither could be enjoyed without respect for human rights. That was why he had proposed a comprehensive agenda, giving equal weight and attention to those three great purposes of the United Nations, all of which must be underpinned by the rule of law. That agenda would have to be agreed through negotiations among States, and these negotiations would have to be conducted in a spirit of give and take.

7. He hoped that Member States would be galvanized, not only by the self-evident urgency of taking steps to deal with poverty, terrorism and the spread of deadly weapons and deadly disease, but also by a sense of the unique opportunity the year presented.

8. Both on the development side and on the security and institutional side, there was a widespread sense of "if not now, when?". The reports of the Millennium Project and of the High-level Panel, taken together with his own report, had aroused wide expectation that the time for momentous decisions had arrived.

9. The September Summit to review progress since the Millennium Declaration would be the ideal moment to take those decisions. The Declaration had laid out shared objectives across the whole spectrum of common concerns. The Summit provided the perfect deadline for world leaders to bring together the work of

their representatives in different forums and enshrine it in a form stamped with their unique authority. The stakes could scarcely be higher, and he urged the international community to plan its work with that deadline, and that opportunity, in mind.

*Statements by intergovernmental organizations*

10. **Mr. Manuel** (Chairperson, Development Committee and Finance Minister of South Africa) said that the Monterrey Consensus had elaborated a new partnership between developing and developed countries and their institutional partners and set out strategies and actions needed for success. The Development Committee had signalled its intention to play an active role in moving the implementation agenda forward. It strongly reaffirmed its commitment to the global effort to reduce poverty in developing and transition countries and to achieve the Millennium Development Goals.

11. The Global Monitoring Report provided an assessment of how close countries and regions were to achieving their Millennium Development Goal targets. While progress had been made on many fronts including, in particular, important gains in reducing income poverty, based on current trends, it appeared that most countries would not meet most of the Goals. In fact, without urgent intervention, the countries in sub-Saharan Africa were unlikely to reach the targets before 2169. The Committee had called for all parties urgently to accelerate progress.

12. Sustainable and inclusive growth must be accelerated in many developing countries. Macroeconomic stability was critical, as was strengthened public sector financial management, the promotion of good governance, combating corruption, the rule of law, improvement of the business climate and development of local financial markets so as to enable growth led by the private sector.

13. The Committee had endorsed the emphasis on country-led development strategies and had urged that the Goals should be operationalized through poverty reduction strategies in low-income countries and through national strategy frameworks in middle-income countries. Meeting key development goals would require substantial increases in funding of education, health and basic services, including water and sanitation. The Committee had noted with concern that the target for achieving gender parity in primary and secondary education had not been met, and it had called on bilateral donors and multilateral agencies to provide timely, predictable and sustained financing to support those efforts.

14. The Committee had underscored the importance of an ambitious outcome for the Doha Development Agenda and of successful completion of the negotiations in 2006 and had stressed the need for "aid for trade". Financing the Development Agenda remained a significant challenge, requiring sustained action on domestic resource mobilization, private investment and trade. Although developing countries had made some progress, their efforts would have to be complemented by their development partners. A significant increase in aid to accelerate progress towards the Millennium Development Goals would also be needed.

15. The Committee had noted the agreement on a joint forward-looking framework for assessing debt sustainability in low-income countries and had welcomed recent proposals for additional debt and debt-service relief beyond the Heavily Indebted Poor Countries (HIPC) Initiative. It had noted that negotiations on the proposed pilot International Financing Facility for immunization were well advanced and had stressed the importance of further action by multilateral development partners, including support for the poverty reduction strategy process in low-income countries, aligning assistance with medium-term country strategies, streamlining conditionality, building institutional capacity and strengthening the focus on results.

16. The Committee had welcomed the Paris Declaration on Aid Effectiveness, which responded to an earlier call to make firm commitments on the quality of aid, had noted the agreement on quantitative indicators and had urged the establishment of targets for each indicator for 2010.

17. Enhancing the voice and participation of developing and transition countries in international economic policy decision-making and norm setting continued to be an important issue. Progress could only be made through broad consensus at the political level.

18. **Ms. Whelan** (President, Trade and Development Board, United Nations Conference on Trade and Development) said that the role of the United Nations Conference on Trade and Development (UNCTAD) in the implementation of the Millennium Development Goals was to maximize the contribution of trade to

development through consensus-building, research and policy analysis and technical assistance.

19. It was estimated that developing countries could gain up to $300 billion annually from trade liberalization in agriculture, manufacturing and services. The major gains from the Doha Round were likely to accrue to developing countries, primarily to those with a competitive advantage. The challenge was to ensure that the least developed countries were not left behind. Regional trade disparities were striking; for example, the share of Africa in world trade had fallen significantly since the 1980s. Most African countries depended on two to three primary commodity exports for most of their foreign earnings; accordingly, any instability in short-term commodity prices directly affected their performance and overall indebtedness. For the trading system to complement efforts to meet the Millennium Development Goals, it must become an instrument to accelerate growth and development and fight poverty. Goal 8 included a commitment to an open, equitable, predictable and rule-based multilateral trading system. That would require continued integration of development considerations into the workings of the multilateral trading system. While she believed that the political will existed to achieve the promises made in the Doha Declaration, a successful conclusion of the Doha Round in 2006 would be but the beginning of the process. All countries and regions must be in a position to exploit trading opportunities.

20. Since the 1980s, the least developed countries had accounted for under 1 per cent of world trade. If current trends continued, the number of people living in extreme poverty in those countries could rise from 334 million in 2000 to 471 million in 2015. In its 2004 Least Developed Countries Report, UNCTAD had pointed out that the link between expanding trade and reducing poverty was neither simple nor automatic: although the least developed countries' national economies were connected with the world economy, the lives and livelihoods of their people remained remote from it. As a result, the potential of trade for reducing poverty remained unfulfilled in most least developed countries. National development strategies — including trade objectives — must be made more coherent, the international trade regime must be improved and international assistance to develop production and trade must be increased and made more effective.

21. To support growth, the least developed countries need not only to increase exports, but also to link exports more closely with their domestic economies. International trade could not help to reduce poverty in countries where investment was not high or effective enough to support sustained economic growth. The 2004 Least Developed Countries Report singled out three conditions for a better trade-poverty relationship in the least developed countries: the emergence of local entrepreneurs, greater and more effective international financial support and technical assistance, and a lasting way out of the debt problem.

22. The international community must also change its approach, and come to regard developing countries as consumers as well as producers: South-South exports and investment were growing at rates that exceeded international rates. However, the pattern was uneven: two thirds of South-South trade took place in Asia. Elsewhere, the traditional flow was still from South to North. The least developed countries were at risk of growing marginalization: their trade deficit with other developing countries had grown from $5.6 billion in 1990 to $15.6 billion in 2002.

23. The best way for UNCTAD to promote the Millennium Development Goals was to integrate their trade and development aspects into its work and remain aware that trade and other issues must be addressed together.

24. **Mr. Carstens** (Deputy Managing Director, International Monetary Fund) recalled that the International Monetary and Finance Committee, meeting on 16 April 2005, had predicted continued robust global growth in 2005, but warned of increased risks from widening imbalances between regions, volatile oil markets and rising oil prices and of the possibility of sharper-than-expected rises in long-term interest rates. All countries must take advantage of current favourable economic conditions to address key risks and vulnerabilities. In particular, as conditions on the oil market would remain difficult, efforts should be made to remove disincentives to investment in oil production and refining, to promote energy sustainability and efficiency, to establish closer dialogue between oil exporters and importers and to improve oil market data and transparency.

25. Poverty reduction must remain at the top of the international agenda. Despite their strong growth and improved macroeconomic stability, most developing

countries would fall far short of the Millennium Development Goals. Accordingly, they would have to strengthen the investment environment and foster private-sector-led growth by implementing reforms, with support from the international community through a commitment to increasing and improving financial and technical assistance, debt relief, better remittance flows and better market access. Successful and ambitious multilateral trade liberalization was central to sustained global growth and economic development.

26. The Global Monitoring Report for 2005 had confirmed that developing countries and their partners must take bold action to implement the Millennium Development Goals. The forthcoming high-level plenary meeting of the General Assembly would provide an important opportunity to review progress and chart future action. The role of IMF was critical. It was working to improve the Poverty Reduction Strategy (PRS) and Poverty Reduction and Growth Facility (PRGF), and to enhance their alignment with each other.

27. The International Monetary and Finance Committee hoped for suitable financing of the Facility and other IMF instruments to assist low-income countries. It welcomed the joint IMF-World Bank note on progress on innovative sources of development financing, including the International Finance Facility (IFF) and Millennium Challenge Account. It had noted the progress made in debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative, and encouraged countries to take the necessary actions so that they could benefit from it. It supported the joint IMF-World Bank framework to help low-income countries' efforts to achieve and maintain debt sustainability while pursuing their development objectives.

28. The International Monetary and Finance Committee indicated that IMF should: enhance the effectiveness of its surveillance and work to promote financial stability and reduce vulnerabilities; consider whether to introduce new instruments or alter existing instruments in order to meet the needs of its members; help low-income countries in their efforts to reduce poverty and achieve strong, sustainable growth; and enhance its own effectiveness and credibility as a cooperative institution by ensuring that all members had a voice and that the distribution of quotas reflected developments in the world economy.

29. **The President** recalled that the six round-table discussions due to follow the meeting of the Council would focus on the theme "Coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus: achieving the internationally agreed development goals, including those contained in the Millennium Declaration".

*The meeting rose at 10.30 a.m.*